MEASURING STRATEGY vs EXECUTION
“THE INABILITY TO MEASURE THE EXECUTION OF STRATEGY IS A MAJOR ISSUE”
In a business climate that brutally punishes the unwise, inefficient or slow-moving, CEOs have rarely been under as much pressure to develop great strategy and then execute with precision. Organisations that have failed in those tasks have fallen by the wayside, and the list of senior executives who lacked the foresight and insight to avert disaster is getting longer with every passing day.

The task of executing an organisation’s strategy usually falls to the Chief Operating Officer (COO), while responsibility for measuring progress or success of that execution resides with the Chief Financial Officer (CFO). As markets, strategies, organisations and operating models continue to evolve and become more complex, the lines between operational execution and performance measurement have blurred. However, one thing that is not uncertain in this climate is the critical importance of information measurement and management to enable execution.

A staggering 90% of companies fail to implement their strategies. Granted, there are many factors behind this figure – such as changing priorities and cultural issues – but a consistently recurring flaw is the misapplication or absence of data analysis and Performance Management. For years, CEOs and their Boards have sought to drive strategy across their organisations and in that difficult quest they have struggled to transform strategies into actionable programs. They have had sleepless nights over how to define metrics and meaningful analysis capable of producing the gems of predictive insight that enable and empower corporate decision makers.

Performance Management Framework

As a business discipline largely absent in most organisations until recently, Performance Management encapsulates a framework and set of processes and technologies that help organisations optimise their business performance by enabling executive decision makers to organise, automate, analyse and then optimise the methodologies, metrics, processes and systems that drive business performance. Performance Management is sometimes observed as the next step in the evolution of Business Intelligence, which typically provided answers to questions around what was happening and why, but fell short of delivering the predictive insights to answer the questions around what to do next.

As a business discipline, Performance Management has three components. At its most elemental level, performance management includes reporting. What's actually going on across the organisation? Next is management and control to align strategies, resources and finances so that all the key parts of the business work together and complement each other rather than operating as silos or worse, undermine each other, as is all too often the case. The final component is the ability to go beyond simply monitoring performance, to be able to continually improve it, having accurate answers to critical questions, such as:

- Do you know which measures drive the business – and which don't?
- Do we know why those problems occurred?
- Do we know the right action to take as a result – and which actions not to take?
- Is everybody aligned with our strategy?
- Are we just monitoring the dials - or moving them?
- Are we acting or reacting?
In today’s economic environment, such insights aren’t nice to haves – they’re must haves! By and large, CEOs and their CFOs and COOs have resisted pushing Performance Management too hard in the past as they sought to measure and drive excellence in operational execution. Some had valid reasons for not doing so. Early efforts around balanced scorecards and performance dashboards failed to provide the promised payoffs. In a typical deployment, every business unit had its own metrics, and at the end of the month, all this data had to be hand-fed into various systems. Unsurprisingly, the results fell far short of what was desired and expected. CEOs also on the whole lacked a compelling business case for Performance Management initiatives. They lack no longer, for troubling economic times are upon us, and with them come unprecedented pressures to elevate performance across organisations to achieve excellence. Organisational survival is now on the line.

Fortunately, Performance Management solutions have evolved to meet the current challenges, and continue to improve. More than half of the respondents to a recent survey of C-Level executives by Ernst & Young said their companies had been able to fully implement new Performance Management systems and were now extracting significant value. Another 36% were in the process of implementation. Most executives were confident enough to predict that their Performance Management initiatives would contribute significantly to the achievement of their strategic and financial goals. Those statistics were much lower five years ago. Organisational strategies are in constant flux, as are the levers which need to be pulled and tuned in order to drive the outcomes of those strategies. During 2006 and 2007, many large private and public sector operations shifted from focusing on the bottom-line only to a balanced approach which includes both top and bottom-line priorities. As the most recent economic downturn continues to bite, some companies are reverting back to concentrate on the bottom-line once again. Optimising operational performance around “tipping points” such as the one between cost-cutting and revenue-growth is an area where accurate data analysis and predictive insights are essential. That – and informed leadership.

**Enter the Chief Operating Officer**

In the past, CEOs could afford to ask their COOs to ensure facilities, resources and personnel were in place to drive the company’s activities. During the 1990s and early 2000s, it was accepted practice to consider Operations as a support function removed from “core competency” and “strategic execution”. CEOs were comfortable acknowledging the utility of the COOs contributions, but they weren’t often seen sitting next to the CEO at executive brunches.

That view is no longer sustainable in the pressure-cooker environment that has evolved since 2007. COOs are now asked to accept roles that are central to the execution of strategy within organisations. Their KPIs now include the allocation and optimisation of facilities, resources and personnel in alignment with strategic corporate goals. Unfortunately, some organisations have been slow to read the tea leaves. Their markets and the world have changed around them, probably forever, and they have failed to see those changes for what they are and to understand the implications. A *lot will simply not survive*.

For many organisations, their ability to effectively bring their corporate strategies to life through operational excellence falls a long way short of the required benchmark. In a
BusinessWeek and SAS survey of Chief Executive and Chief Operating Officers in the latter half of 2007, only 30% of respondents reported being satisfied with their current business process and workflow; 29% were satisfied with organisational effectiveness; 26% were satisfied with their agility and responsiveness; and only 24% were content with current levels of internal cooperation. With such low ratings on these most fundamental drivers of strategic execution, it is little wonder so many CEOs are worried about their ability to execute their strategies.

A year ago, these sorts of findings would have been troubling considering how important operational strategy is to corporate success. In the world we now live in, they are deeply troubling because of the implications these findings have for organisational survival. The scope and complexity of the operational strategies COOs and their teams are being asked to deliver, require increasing sophistication. Operational strategies now stretch way beyond manufacturing and distribution. In order for organisations not just to remain competitive, but to survive, the ability to properly align a complex matrix of operational strategies across multiple divisions — frequently including customer service, product development, delivery, technology, regulatory and financial initiatives — isn’t just a nice to have, it’s a must have. It has to be core competency. And it is the COO who has the critical task of bringing this together.

Predictive insights through Performance Management

Specifically, COOs now have the primary responsibility for monitoring their organisation’s day-to-day performance and making operational improvements to facilitate the execution of corporate strategy and growth. In bringing together the coordination and management of all these processes, COOs need the ability to act almost like “cosmic mechanics”. COOs need to analyse a bewildering array of specific measurements relating to corporate health, identifying potential problems that could disrupt workflow or financial performance. They are then asked to make finely tuned adjustments and operational improvements by moving and aligning the activities of various business units to create incremental improvements in driving overall corporate performance. This is an enormously challenging task when things are going well. It is all but impossible when things are not.

Little wonder then that COOs are among the strongest advocates of sophisticated Performance Management and measurement. The analysis and predictive modelling functions built into today’s Performance Management solutions provide highly tangible benefits for operational efficiency, financial transparency and accountability across the enterprise. Without the predictive insights made available through Performance Management systems, COOs would find the complexity and scope of their operational execution mandates overwhelming and overpowering. Organisations that have effective Performance Management systems are better able to measure the execution of strategy, enjoy greater transparency, collaboration, corporate alignment and agility. Senior executives gain better insight into their business as it is today, and foresight into where it is trending in the future. Companies empowered by better information can develop superior strategies and then execute them.